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MAY 5 2003

**SOUTH CAROLINA  
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 2003-041-S**

S. C. PUBLIC SERVICE COMMISSION  
RECEIVED  
MAY 05 2003  
EXECUTIVE DIRECTOR'S OFFICE

In Re: )  
)  
Application of Moore Sewer )  
Inc. For Adjustment of Rates )  
And Charges for the Provision )  
of Sewer Collection )  
\_\_\_\_\_ )

**TESTIMONY OF  
WILLIAM G. TEICHMAN**

**Q. Would you please tell the Commission your name and business address.**

A. My name is William G. Teichman and my business address is 110 Milliken Road,  
Spartanburg, SC 29303.

**Q. By whom are you employed and in what capacity?**

A. I am the sole shareholder of Moore Sewer, Inc. ("Moore Sewer" the "Applicant"  
"Company"). I manage Moore Sewer and am responsible for its day-to-day operations.

**Q. What is your training and work experience?**

A. I served in the United States Navy from 1967 until 1992, retiring as a Petty Officer -  
First Class. While in the Navy I held a variety of managerial posts, including  
maintenance shop manager, security officer, brig officer, and head of the office  
management division. In 1992, I went to work for the Roto-Rooter Service Company in  
Connecticut as a service technician. In June of 1993, Roto-Rooter contracted with me

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SERVICE: OK PL

1 to run and manage its Spartanburg Division, which included all Roto-Rooter operations  
2 for Spartanburg, Union, and Cherokee Counties. In that capacity, I oversaw a 10-  
3 employee operation with 7 trucks. In October of 1995, my wife and I formed Operation  
4 Drains, Inc. for the purpose of providing drain cleaning and emergency plumbing  
5 services to residential and commercial customers in the Spartanburg, Greenville and  
6 Cherokee County service areas. Operation Drains currently has fourteen (14) employees  
7 and runs twelve (12) service vehicles, including 11 vans and a jet truck.  
8

9 **Q. What are your job responsibilities in your current position?**

10 A. My responsibilities include the day-to-day management and oversight of Moore Sewer's  
11 wastewater operations, contracting for the provision of any necessary engineering  
12 services, and supervision of environmental compliance. Additionally, I function as the  
13 business manager for Moore Sewer and am involved with customer, vendor and  
14 contractor relations. I also assist my wife with necessary billing and bookkeeping  
15 information.  
16

17 **Q. What is the purpose of your testimony in this proceeding?**

18 A. The purpose of my testimony is to provide the Commission with an overview of the  
19 Applicant and its operations, explain the need for the Company to establish a collection-  
20 only rate for its sewerage service, and demonstrate why the Company has a clear need  
21 for the rate requested by the Company.  
22

1       **Q.     Are there any exhibits which you would like to incorporate into your testimony at**  
2       **this time?**

3       A.     Yes there are. At this time, I would like to incorporate the Application filed in this  
4       proceeding with the Commission along with all of its accompanying exhibits.

5  
6       **Q.     What are the authorized service areas of Moore Sewer?**

7       A.     Moore Sewer is currently authorized to serve the Linville Hills Subdivision and the  
8       Madera Subdivision. The Linville Hills Subdivision is located in Moore, South  
9       Carolina, in Spartanburg County. The Madera Subdivision is also located in  
10      Spartanburg County.

11  
12      **Q:     Please describe the plant and facilities which comprise that portion of the Linville**  
13      **Hills sewer system owned and operated by Moore Sewer.**

14      A:     The Linville Hills sewerage system includes 11,000 feet of six (6) and eight (8) inch  
15      drain pipe, approximately three hundred (300) taps, and approximately thirty-four (34)  
16      to thirty-six (36) man holes.

17  
18      **Q:     Please describe the plant and facilities which comprise that portion of the Madera**  
19      **Subdivision sewer system owned and operated by Moore Sewer.**

20      A:     The Madera sewerage system includes twenty-five (25) manholes, and 5,675 feet of  
21      eight-inch drainpipe and approximately 90 taps.

1 **Q: How many customers and of what type does Moore Sewer currently serve?**

2 A: The Company currently serves approximately 275 customers in the Linville Hills  
3 Subdivision, and 185 customers in the Madera Subdivison, all of which are residential.  
4

5 **Q: Please describe the status of the Company's treatment responsibilities at Linville**  
6 **Hills.**

7 A: As of the date of this testimony, Moore Sewer is extremely close to transferring  
8 sewerage treatment obligations to the Spartanburg Sanitary Sewer District ("SSSD"). I  
9 will provide an update at the hearing on the status of the transfer.  
10

11 **Q: Please describe the status of the closedown for the treatment pond at Madera.**

12 A: I have completed Phase I for the closure of the lagoon, which involved transferring  
13 treatment responsibilities to the SSSD effective September 1, 2001. I am nearing  
14 completion of Phase II of the closure of the lagoon, which involves grading and seeding  
15 the former pond area and final disposal of any remaining waste sludge. I expect to  
16 undertake the remainder of my Phase II operations as soon as I have transferred the  
17 Linville Hills treatment facility as described above.  
18

19 **Q: What Commission-approved rates is Moore Sewer authorized to charge?**

20 A: Moore Sewer is authorized to charge a flat-rate for sewer of \$17.50 in the Madera  
21 Subdivision, per Commission Order 90-31 issued in Docket No. 88-45-S. With respect  
22 to Linville Hills, Moore Sewer charges a flat rate for sewer of \$28.50, as approved by

Order No. 2001-243 issued in Docket No. 1999-397-S.

**Q: What requirements applicable to Moore Sewer have precipitated its need for a collection-only rate?**

A: Moore Sewer's National Pollution Discharge Elimination System ("NPDES") permits for both Linville Hills and Madera require the Company to phase out its lagoon treatment facilities and "tie-on" to the SSSD interceptor sewer line, in order that wastewater be treated at the North Tyger Wastewater Treatment Facility. These permit requirements were originally imposed on the previous owners of Madera and Linville Hills. Further, failure to tie-on to the SSSD system constitutes a violation of the Company's NPDES permits, as well as one or more Consent Orders that Moore Sewer executed with the South Carolina Department of Health and Environmental Control ("DHEC"). Put simply, Moore Sewer is being forced to cease serving the public as a treatment utility, and become a collection-only utility.

**Q: Please describe the contractual arrangement relating to the Madera Subdivision by which Moore Sewer ceased operation as a sewerage treatment utility.**

A: On September 1, 2001, Moore Sewer tied on to the SSSD line. Accordingly, the SSSD now provides treatment services for Moore Sewer's Madera customers. The terms and conditions under which SSSD provides treatment services were approved by the Commission in Docket No. 2002-104-S via Order No. 2002-712.

1       **Q:     Can you estimate the amount that a Madera resident pays each month for**  
2       **sewerage treatment?**

3       A:     I am informed and believe that Moore Sewer's customers in the Madera Subdivision  
4       pay SSSD a base charge of \$1.50, a usage fee of \$1.72 per 100 cubic feet of water, and  
5       pay the City of Spartanburg \$1.36 per 100 cubic feet of water to reimburse the City for  
6       its sewage pumping station located in the area once occupied by the now-defunct Moore  
7       Sewer treatment lagoon – for a total of \$3.08 per 100 cubic feet (plus \$1.50) for  
8       wastewater treatment services. A measure of 100 cubic feet is also known as a "unit".  
9       Based upon an actual bill for a Madera resident provided to me by the Spartanburg  
10      Water System, attached hereto as **Testimony Exhibit One**, a user consuming 3 units per  
11      month (6 units in 60 days) would pay \$10.74 per month  $[(3 \times \$3.08) + \$1.50]$  for  
12      sewage treatment services.

13  
14      **Q:     How are customers in the Madera Subdivision billed for sewerage treatment?**

15      A:     As shown by **Testimony Exhibit One**, the Spartanburg Water System includes  
16      sewerage treatment charges on the customers' water bill.

17  
18      **Q:     Please describe the contractual arrangement relating to the Linville Hills**  
19      **Subdivision whereby the SSSD will provide sewerage treatment services.**

20      A:     Under the parties' agreement, the SSSD will provide wastewater treatment services for  
21      Linville Hills. The SSSD will bill Moore Sewer for the volume of wastewater  
22      discharged from Linville Hills to the SSSD's North Tyger River Wastewater Treatment

1 Plant. Customers will then be billed based on the total volume of wastewater created in  
2 the subdivision times the sewer treatment rate (as it may be adjusted from time to time)  
3 divided by the number of customers. Moore Sewer will not mark-up this charge in any  
4 manner. This flat-rate method of allocating treatment charges to customers is consistent  
5 with the Company's existing flat rate.

6  
7 **Q: Can you estimate the amount that a Linville Hills resident will pay each month for**  
8 **sewerage treatment?**

9 A: SSSD will charge Moore Sewer at a rate of \$1.72 per 100 cubic feet (the SSSD's inside-  
10 subdistrict rate), and Moore Sewer will pass those charges on to its customers without  
11 markup. Based upon the bill provided as **Testimony Exhibit One**, if the average  
12 consumption per customer equals 3 units per month (6 every 60 days), each customer  
13 would pay \$5.16 per month (3 x \$1.72) for treatment services. Assuming 6 units of  
14 consumption per month per customers, each customer would pay \$10.32 per month (6 x  
15 \$1.72) for treatment services.

16  
17 **Q: Please explain how the Company allocated expenses between treatment and**  
18 **collection in Exhibit B-3 of the Application.**

19 A: Where expenses could be identified as specific to the collection operation of the  
20 Company, the line item in Exhibit B-3 contains that exact amount. For example,  
21 82.97% of the Company's "professional contractual services", which included services  
22 such as the sewer operator, will continue to be incurred when Moore Sewer is solely a

1 collection utility. When expenses could not be actually isolated and appropriately  
2 allocated, I performed an allocation based upon my knowledge and experience with the  
3 system. For example, I estimated that 25% of the purchased power now incurred by  
4 Moore Sewer will continue to be incurred following final transfer of the treatment  
5 function.

6  
7 **Q: Please explain the Company's proposed adjustment to recover revenues not**  
8 **collected in Madera.**

9 A: As set out in the Application, and described to this Commission in the proceedings that  
10 took place in Docket No. 2002-104-S, the Company did not collect a rate from Madera  
11 customers for twelve (12) months. The Company requests the ability to recover those  
12 revenues from its Madera customers over a 12-month period. The recovery of these  
13 revenues (totaling \$38,850) is shown as **Adjustment One** to Exhibit B-5 of the  
14 Application, as revised and attached hereto as part of the updated adjusted income  
15 statement and supporting documents entitled **Testimony Exhibit Two**.

16  
17 **Q: Please explain the waiver of Commission Rule 103-533(2)(a) sought by the**  
18 **Company.**

19 A: Commission Rule 103-533(2)(a) only allows a sewerage utility to collect a deficient  
20 amount of revenue "up to a maximum period of six months." Moore Sewer wants to be  
21 able to collect the entire 12 months' of revenue that has not been billed to customers.  
22 The inability to collect those revenues has been a financial blow to the Company, and



1 will continue to work a hardship upon Moore Sewer. Further, allowing Moore Sewer to  
2 collect all revenue to which it is entitled is clearly in the public interest.  
3

4 **Q: Please briefly explain the adjustment for “Capacity Fees” to the Company’s**  
5 **Income Statement.**

6 **A: “Adjustment Two - Capacity Fees”,** shown in **Testimony Exhibit Two** as well as in  
7 Exhibit B-6 of the Application, represents the total capacity fees paid to SSSD and the  
8 City of Spartanburg for Madera and Linville Hills. The total amount of capacity fees  
9 paid is \$54,987.92, which if spread over a 40-year schedule yields for a yearly expense  
10 of \$1,374.70.  
11

12 **Q: Has that capacity fee adjustment been modified from the amount contained in the**  
13 **Application?**

14 **A:** Yes. In Exhibit B-6, the Company listed a capacity fee for Linville Hills totalling  
15 \$49,125. That figure was an estimate based upon the SSSD’s capacity fee table. In  
16 actuality, the amount charged Moore Sewer is \$8,901. As a result, the annualized  
17 expense for capacity fee payments is reduced from \$2,380.30 to \$1,374.70, and the  
18 Company’s total operating expenses are reduced by that amount. **Testimony Exhibit**  
19 **Two** contains the revised capacity fee expense amount.  
20

21 **Q: Please briefly explain the other adjustments proposed by the Company.**

22 **A: “Adjustment Three - Closedown Costs”** set out on Application Exhibit B-7 and in

1       **Testimony Exhibit Two** shows the amounts incurred to date by Moore Sewer in order  
2       to close down its treatment facilities and transfer the treatment function to the SSSD and  
3       the City of Spartanburg. Closeout costs total \$143,108.57, and an amortization period  
4       of three years results in an annualized expense of \$47,702.86. **“Adjustment Four -**  
5       **State and Federal Taxes”** shown in Application Exhibit B-8 and **Testimony Exhibit**  
6       **Two** adjusts for the \$9,369.82 in state and federal taxes owed by the Company under the  
7       proposed rate. **“Adjustment Five - Legal and Professional Fees”** contains an estimate  
8       of \$12,000 amortized over three years for an annual expense of \$4,000. I will update  
9       the actual legal expenses incurred at the hearing. In addition, the Commission Staff was  
10      kind enough to point out an error in Application Exhibit B-5, where “taxes and licenses  
11      should have reflected a total of \$1,200 rather than 1,702.67. The use of the correct  
12      figure reduces the Company’s Operating Expenses. Accordingly, I provide, as  
13      **Testimony Exhibit Two**, revised financial statements containing the correct figures.

14  
15      **Q.     Please explain why the collection-only rate structure is crucial for Moore Sewer.**

16      A.     Moore Sewer is or soon will be solely a collection sewer utility. Therefore, the  
17      Company’s rate structure must reflect its actual operations.  
18

19      **Q:     Why is it appropriate for the collection-only rate charged by the Company to equal**  
20      **or exceed Moore Sewer’s current rates?**

21      A:     As demonstrated by the Company’s financial statements attached to the application and  
22      the amended statements attached hereto, operation of the Linville Hills and Madera

1 subdivisions has been quite costly. In fact, my wife and I were forced to mortgage our  
2 home in order to pay the capacity fee to the SSSD for Madera. Further, Operation  
3 Drains has contributed over \$125,000 to Moore Sewer's operations in closing out  
4 treatment facilities and complying with the legal requirements owed by Moore Sewer.  
5 In summary, my company Operation Drains and I have had to fund substantially Moore  
6 Sewer's operations in order to meet the legal requirements imposed upon it. I believe  
7 that the collection rate of \$28.50 is absolutely essential due to the increased costs  
8 associated with maintaining this system, as well as the capacity fees and other  
9 substantial costs that Moore Sewer has incurred in order to comply with our DHEC  
10 Consent Orders.

11  
12 **Q. Does this conclude your testimony?**

13 **A. Yes it does.**

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# EXHIBIT 1

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Account History X-Ref Inquiry  
Detail Billing  
3/07/2003

DCA

Service  
Began  
6/01/1997

Account No Name

Street

Total  
.00

Due  
4/01/2003

D=Detail

Service Type #  
S 099 SEWER DIST BASE CHG  
SEWER  
S 110 SEWER-SD T&T BIMTHLY  
SEWER *1.72/unit*  
S 716 SEWER-CITY BIMTH-O/S  
SEWER *1.36/unit*  
W 085 WATER-O/S BIMTH BASE  
WATER  
W 210 WATER-O/S BIMTHLY  
WATER *1.919/unit*

Cons

Charge Days  
BASE CHG-SEWER DIST.  
6 1.50 60  
SEWER DISTRICT USAGE  
6 10.32 60  
SEWER USAGE-CITY  
6 8.16 60  
BASE CHARGE-WATER  
6 8.95 60  
WATER USAGE  
6 11.87 60

Tax

Recd  
Date

2/24/2003  
2/24/2003  
2/24/2003  
2/24/2003  
2/24/2003

Miscellaneous Charges

F12=Return F11=Fold/Truncate

# EXHIBIT 2

**Moore Serwer, Inc.**  
**Income Statement - Expenses Allocated to Collection and Including Adjustments**  
**For Test Year Ended October 31, 2002**

Description	Year Totals
<b><i>Operating Revenue</i></b>	
Operating Revenue/Flat Rate-General Cust Total (460 Customers x 28.50/month x 12 months)	157,320.00
Adjustment One - Recovery of 12 months' billings (185 Customers x 17.50/month x 12 months)	38,850.00
<b>Total Adjusted Revenues</b>	<b>196,170.00</b>
<b><i>Operating Expenses</i></b>	
Purchased Power	2,540.54
Fuel for Power Production	1,990.78
Chemicals	512.52
Materials & Supplies	12,028.00
Office Expense	230.36
Postage	512.59
Contractual Services-Billing	3,092.00
Contractual Services-Professional	13,398.30
Contractual Services-Other	3,389.84
Rents	21,980.28
Transportation Expense	5,450.82
Insurance Expense	4,990.43
Miscellaneous Expense	189.94
Utilities-Non Electric	4,923.89
Telephone	2,360.24
Depreciation Expense	4,850.27
Taxes Other Than Income	270.77
Taxes and Licenses	1,200.00
Income Taxes, Utility Operations	42.55
Operating Expenses before Adjustments	83,954.12
Adjustment Two - Capacity Fees (See Exhibit B-6)	1,374.70
Adjustment Three - Closedown Costs (See Exhibit B-7)	47,702.86
Adjustment Four - State and Federal Taxes (See Exhibit B-8)	9,369.82
Adjustment Five - Legal and Professional Fees (Estimated) (3-year amortization)	4,000.00
<b>Operating Expenses Total</b>	<b>146,401.49</b>
<b><i>Other Expenses &amp; Deductions</i></b>	
Misc NonUtility Exp-Penalties	4,500.00
Interest Expense	2,023.55
Interest Exp-S/H Loan	2,258.89
<b>Other Expenses &amp; Deductions Total</b>	<b>8,782.44</b>
<b><u>Total Expenses</u></b>	<b>155,183.93</b>
<b>Net Income (Loss) from Operations</b>	<b>49,768.51</b>
<b>Operating Margin - As Adjusted</b>	<b>25.37%</b>

**Moore Sewer, Inc.**  
**Capacity Fees Paid or To Be Paid**

<u>Date</u>	<u>Payee</u>	<u>Description</u>	<u>Amount</u>
6/1/2001	SSSD	Capacity Fee for Madera - Spartanburg Water System	17,932.92
6/1/2001	City of Spartanburg	Capacity Fee for Madera - City of Spartanburg	28,154.00
TBD	City of Spartanburg	Capacity Fee for Linville Hills	8,901.00
Total Capacity Fee Payments			<u><b>\$ 54,987.92</b></u>
Annualized Expense for Same (40-year schedule)			\$ 1,374.70



**Moore Sewer, Inc.**  
**Closeout Costs for Moore Sewer**

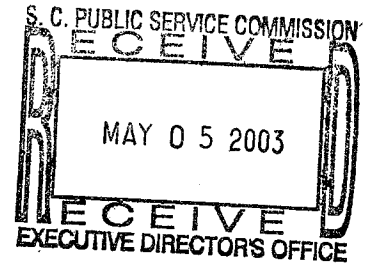
<u>Date</u>	<u>Item</u>	<u>Category</u>	
12/3/2001	United Rental	Rents	3,700.00
12/31/2001	Neil Phillips	Contractual Services- Professional	500.00
3/7/2002	Tindall	Materials and Supplies	355.24
3/21/2002	Neil Phillips	Contractual Services- Professional	500.00
4/20/2002	Tindall	Materials and Supplies	609.53
4/24/2002	Neil Phillips	Contractual Services- Professional	500.00
5/6/2002	Tindall	Materials and Supplies	203.70
5/7/2002	Operation Drains	Contractual Services - Other	2,000.00
5/23/2002	Operation Drains	Contractual Services - Other	2,000.00
7/8/2002	Tindall	Materials and Supplies	528.15
7/11/2002	Neil Phillips	Contractual Services- Professional	500.00
8/8/2002	Tindall	Materials and Supplies	480.90
8/8/2002	Crane Rental	Contractual Services- Professional	150.00
8/14/2002	Operation Drains	Contractual Services - Other	2,000.00
8/22/2002	Operation Drains	Contractual Services - Other	2,000.00
8/29/2002	Operation Drains	Contractual Services - Other	1,000.00
9/5/2002	Operation Drains	Contractual Services - Other	500.00
10/1/2002	Neil Phillips	Contractual Services- Professional	200.00
10/7/2002	Neil Phillips	Contractual Services- Professional	200.00
10/21/2002	Neil Phillips	Contractual Services- Professional	200.00
10/29/2002	Operation Drains	Contractual Services - Other	3,000.00
1/15/2002	J.L. Rogers & Calcott	Contractual Services - Testing	543.72
2/23/2002	J.L. Rogers & Calcott	Contractual Services - Testing	646.25
10/31/2002	Accrued Expenses paid by ODI for Moore Sewer	Contractual Services - Other	4,620.47
10/31/2002	Accrued Labor Expenses Due to ODI	Contractual Services - Other	57,312.32
10/31/2002	Accrued Expenses paid by ODI for Moore Sewer	Rents	14,821.40
10/31/2002	Accrued Equipment Rental Expenses Owed ODI	Rents	37,250.00
10/31/2002	Accrued Equipment Rental Expenses	Rents	6,786.89
Total Closeout Costs to Date			143,108.57
Annualized Expense (3-year amortization)			<b>47,702.86</b>

**Moore Sewer, Inc.**  
**Computation of Income Taxes**  
**Test Year Ended October 31, 2002 - With Adjustments**

Operating Revenue	196,170
Operating Expenses	<u>143,213</u>
Net Operating Income Before Taxes	52,957
Less: Interest Expense	<u>4,282</u>
Taxable Income State	48,674
State Income 5%	<u>2,434</u>
Taxable Income Federal	46,241
Federal Income 15%	6,936
Total State & Federal Taxes	<u>9,370</u>

**SOUTH CAROLINA  
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 2003-041-S**



In Re: )  
)  
Application of Moore Sewer )  
Inc. For Adjustment of Rates )  
And Charges for the Provision )  
of Sewer Collection )

**CERTIFICATE OF SERVICE**

This is to certify that I have caused to be served this day one copy of **Testimony of William G. Teichman** by placing a copy of same in the care and custody of the United States Postal Service (unless otherwise specified), with proper first-class postage affixed thereto and addressed as follows:

Ralph W. Longshore, Sr.  
112 Rodney Drive  
Moore SC 29369

Ms. Kathleen Jackson  
1913 Mark Court  
Spartanburg SC 29301

Mr. Rickey L. Henderson  
112 Linville Drive  
Moore SC 29369

Ms. Vesta Thompson  
1914 Mark Court  
Spartanburg SC 29301

Mr. William R. McAbee  
1912 Mark Court  
Spartanburg SC 29301

Mr. Leonardo Jordan  
2413 Fairforest Clevedale Road  
Spartanburg SC 29301

Elliott Elam, Staff Attorney  
**SC Department of Consumer Affairs**  
PO Box 5757  
Columbia, SC 29250

David Butler, Esquire  
**South Carolina**  
**Public Service Commission**  
PO Drawer 11649  
Columbia, SC 29211

  
\_\_\_\_\_  
Carol Roof

May 1, 2003

Columbia, South Carolina

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